

ALFRED W. GROSS
COMMISSIONER OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
<http://www.state.va.us/scc>

**STATE CORPORATION COMMISSION
BUREAU OF INSURANCE**

December 27, 2001

To: All Companies Licensed to Write Property and Casualty Insurance in Virginia

Re: Terrorism Exclusion Endorsements
Commercial Lines Property and Casualty Insurance Policies

There has been much uncertainty in the markets for commercial lines property and casualty insurance coverage in light of the substantial losses experienced by the industry on September 11, 2001. Soon after the events, reinsurers announced that they did not intend to provide coverage for acts of terrorism in future reinsurance contracts. This led to a concerted effort on behalf of all interested parties to seek a temporary federal backstop to calm market fears over future terrorists attacks and the ability of the insurance industry to allocate capital to provide coverage for these unpredictable and potentially catastrophic events. Unfortunately, Congress has been unable to reach agreement on the terms of a temporary federal solution. As a result, insurance regulators find themselves having to consider approval of certain coverage exclusions for acts of terrorism or risk possible serious solvency concerns in the insurance industry.

Therefore, the Bureau of Insurance finds it necessary at this time to approve certain exclusions of terrorism coverage. In an effort to establish an acceptable and uniform terrorism exclusion, Virginia has worked with other states, through the National Association of Insurance Commissioners (NAIC), and with Insurance Services Office, Inc. (ISO) to craft language that addresses the concerns of insurers regarding terrorism exposures without unduly restricting other coverage provided by currently approved policy forms. As a result, the following terrorism exclusion endorsements have been approved for use in Virginia. Approval has been granted with the understanding that the Bureau reserves the right to withdraw approval of these exclusions based on the availability of reinsurance coverage or the passage of federal legislation.

COMMERCIAL PROPERTY, INLAND MARINE, FARM	IL 09 40 01 02
COMMERCIAL BOILER AND MACHINERY, CRIME	IL 09 42 01 02
BUSINESSOWNERS PROPERTY COVERAGE	BP 05 12 01 02
BUSINESSOWNERS LIABILITY COVERAGE	BP 05 13 01 02
FARM LIABILITY COVERAGE	FL 10 30 01 02
COMMERCIAL GENERAL LIABILITY ENDORSEMENT	CG 21 69 01 02
OWNERS/CONTRACTORS/PRODUCTS/COMPLETED	
OPERATIONS LIABILITY	CG 31 42 01 02
POLLUTION/UNDERGROUND STORAGE TANK LIABILITY	CG 31 43 01 02

For companies that have authorized ISO to file forms on their behalf, these endorsements are approved for use effective January 1, 2002. In order to expedite approval of acceptable exclusions for insurers not affiliated with ISO, the Bureau has developed the attached Reference Filing Authorization Form, VA CP 2002. By completing and submitting this form,

non-affiliated insurers may obtain authorization for the use of the approved endorsements. ISO has agreed to license the endorsements for use by all insurers without charge. Licensing information may be obtained from ISO's Customer Service department by calling 1-800-888-4ISO (4476) and using option 2, or by contacting ISO at www.info@ISO.com.

To the extent that the ISO endorsements fail to conform to the language or structure of any insurer's independent policy forms, the insurer is authorized to make appropriate editorial (non-substantive) modifications as long as the terms of the exclusion are not materially changed. Such modified forms are not required to be filed for approval, as they will be considered to be adopted using form VA CP 2002. Insurers making these editorial modifications must include the applicable ISO form number on the modified endorsement, adding appropriate prefixes or suffixes to identify them as modified versions. Applicable ISO copyrights should also be noted on the endorsements.

Terrorism exclusion endorsements that vary in any substantive or material manner from the forms listed above must be filed for approval at least 30 days prior to use in accordance with § 38.2-317 of the Code of Virginia. Endorsements that contain ambiguous or misleading clauses or exceptions and conditions that deceptively affect the risk purported to be assumed in the general coverage of the policy, or endorsements not otherwise in compliance with Virginia statutory requirements, will be disapproved.

Terrorism exclusions may not be attached to automobile insurance policies due to the statutory requirement to provide coverage in accordance with Virginia standard forms. In addition, the standards of coverage established by the statutory Virginia Standard Fire Policy require that coverage for ensuing direct loss by fire be provided (this requirement is addressed in the applicable ISO endorsements). The endorsements may not be attached to workers' compensation insurance policies.

The VA CP 2002 form is available on the Bureau's web site at www.state.va.us/scc/division/boi in PDF and Word formats. The completed form may be submitted by fax to (804) 371-9396, or by e-mail to bbranum@scc.state.va.us (for commercial multi-line coverages) or to pworley@scc.state.va.us (for commercial casualty coverages), or by regular mail. The terrorism exclusion endorsements will then be available for use as of the date the completed form is received by the Bureau. For e-mail submissions, the return e-mail address of the sender will be accepted as the signature of that individual. E-mail submissions will be acknowledged by return e-mail messages. The endorsements listed on form VA CP 2002, including any non-substantive editorial modifications, may be used on an optional basis, without premium consideration, according to the underwriting requirements of each insurer.

ISO has filed the terrorism exclusion endorsements listed above for the lines of insurance indicated. If ISO is authorized to file forms on your behalf for a given line of insurance, it is not necessary to submit the VA CP 2002 form for that line. If you have any questions regarding the proper filing procedure, or if you need copies of the approved endorsements, please contact the Bureau of Insurance at (804) 371-9298.

Sincerely,

A handwritten signature in cursive script that reads "Mary M. Bannister".

Mary M. Bannister
Deputy Commissioner
Property and Casualty Division